

## Message Text

CONFIDENTIAL

PAGE 01 SANTO 01208 01 OF 02 130104Z

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ACTION ARA-10

INFO OCT-01 ISO-00 IGA-02 AID-05 CIAE-00 COME-00 EB-07

FRB-03 INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03

SP-02 CIEP-01 LAB-04 SIL-01 OMB-01 NSC-05 SS-15

STR-04 CEA-01 L-03 H-02 DODE-00 PA-01 PRS-01 PM-04

AGR-05 /096 W

----- 121073

R 121700Z MAR 76

FM AMEMBASSY SANTO DOMINGO

TO SECSTATE WASHDC 6360

C O N F I D E N T I A L SECTION 1 OF 2 SANTO DOMINGO 1208

ATTN: NSC-IG/ARA

E.O. 11652: GDS

TAGS: PFOR, XM

SUBJECT: COUNTRY ANALYSIS AND STRATEGY PAPER FOR THE DOMINICAN  
REPUBLIC, FY 1977-1978

REF: SANTO DOMINGO A29, 3/8/76

1. TO COVER POINTS SPECIFIED IN LETTER FROM DIRECTOR LA/CAR SUPPLEMENTING GUIDANCE FOR FY 77-78 CASP, FOLLOWING REVISIONS SHOULD BE MADE IN POST'S CASP SUBMITTED IN REF AIRGRAM. (LA/CAR DIRECTOR'S LETTER WAS RECEIVED AFTER POST HAD SENT CASP IN WEEKLY CLASSIFIED POUCH CLOSING MARCH 8 IN ORDER MEET DEPT'S DEADLINE.) REVISED PAGES OF CASP INCORPORATING REVISIONS WILL BE POUCHED. (ADDITION OF PAGE TO OVERVIEW STATEMENT WILL REQUIRE RENUMBERING OF SUBSEQUENT PAGES.)

2. IN AMBASSADOR'S OVERVIEW STATEMENT:

A. AFTER FIRST PARAGRAPH INSERT FOLLOWING NEW PARAGRAPH. QTE  
IN INSPECTOR'S MEMORANDUM NO. 37 OF THE REPORT OF THE INSPECTION  
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PAGE 02 SANTO 01208 01 OF 02 130104Z

OF THE POST CONDUCTED LAST NOVEMBER, THE INSPECTOR AGREED THAT

THE FACTORS SET FORTH IN LAST YEAR'S CASP WERE SUFFICIENTLY SIGNIFICANT TO WARRANT U.S. SUPPORT OF THE DR'S MOVES TOWARD ECONOMIC, SOCIAL AND DEMOCRATIC DEVELOPMENT. THE INSPECTOR NOTED, HOWEVER, THAT THE CASP CONTAINED NO INDICATION OF A LIMIT TO U.S. INVOLVEMENT IN EVENT OF A BREAKDOWN IN STABILITY OR A TAKEOVER BY A HOSTILE POWER OR UNFRIENDLY GOVERNMENT. HE STATED FURTHER: "IT IS QUESTIONABLE WHETHER IN THIS DAY AND AGE THE U.S. WOULD INTERPRET ITS INTEREST IN THE DR AS SUFFICIENT TO LEAD IT INTO MILITARY INTERVENTION AS WAS DONE IN THE RECENT PAST, BUT THE CASP SEEMS SOMEWHAT OPEN-ENDED ON THIS." IN RESPONSE TO THIS OBSERVATION, I SUBMIT THAT THE CASP MUST NECESSARILY REMAIN OPEN-ENDED ON THE POSSIBILITY OF FUTURE U.S. INTERVENTION IN THE DOMINICAN REPUBLIC IF CONDITIONS AGAIN DETERIORATE TO THE POINT OF SERIOUSLY THREATENING U.S. INTERESTS. THE FINAL DETERMINATION OF WHETHER A DETERIORATING SITUATION WARRANTED U.S. INTERVENTION WOULD BE MADE BY THE PRESIDENT OF THE UNITED STATES. IN THIS CONNECTION, IT IS RELEVANT TO NOTE THAT SECRETARY KISSINGER, DURING HIS RECENT VISIT TO LATIN AMERICA, MADE CLEAR THAT THE U.S. WILL NOT TOLERATE AGGRESSION IN THE WESTERN HEMISPHERE. END QTE

B. FOR LAST 2 SENTENCES OF PRESENT SECOND PARAGRAPH, SUBSTITUTE THE FOLLOWING: QTE IN THE LAST FEW YEARS, THE DOMINICAN RATE OF ECONOMIC GROWTH HAS DECLINED TO SOME EXTENT FROM THE VERY HIGH LEVELS OF PREVIOUS YEARS. HOWEVER, THERE STILL EXISTS CONSIDERABLE POTENTIAL FOR EXPANSION AND DIVERSIFICATION OF THE ECONOMY IN AGRICULTURE, INDUSTRY, BASIC INFRASTRUCTURE AND TOURISM. THE LARGE CAPITAL INVESTMENTS BEING MADE IN DAMS, IRRIGATION, PORT, ELECTRIFICATION AND ROAD PROJECTS SHOULD, IN THE NEXT FEW YEARS, INCREASE AGRICULTURAL PRODUCTION, PROMOTE RURAL DEVELOPMENT, HELP TO DIVERSIFY THE ECONOMY AND STIMULATE RISING LIVING STANDARDS, THUS BOLSTERING THE UNDERPINNINGS FOR LONG-TERM STABILITY. CURRENT AND CONTEMPLATED USAID PROGRAMS IN THE AGRICULTURAL, HEALTH AND OTHER SECTORS SEEM TO BE WELL ADAPTED TO DOMINICAN NEEDS. IN VIEW OF THE LOW DOMINICAN DEBT-SERVICE RATIO, WE SHOULD CONTINUE TO SUPPORT LOANS FROM THE IBRD, IDB AND EXIMBANK, AS WELL AS UN AND OAS TECHNICAL ASSISTANCE, FOR DOMINICAN DEVELOPMENT PROJECTS. END QTE

C. AFTER PRESENT SECOND PARAGRAPH INSERT FOLLOWING NEW PARAGRAPH: QTE IN CONSEQUENCE MAINLY OF THE FALL IN SUGAR PRICES AND IN-CONFIDENTIAL

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PAGE 03 SANTO 01208 01 OF 02 130104Z

CREASED PETROLEUM COSTS, THE DR WILL PROBABLY BE FACED WITH A SIZEABLE BALANCE-OF-PAYMENTS GAP DURING THE CASP TIME FRAME. THIS SITUATION IS NOT AS CRITICAL FOR THE DR AS IT IS FOR MANY DEVELOPING COUNTRIES BECAUSE OF ITS BORROWING CAPACITY AND ITS PROSPECTS FOR INCREASED FOREIGN EXCHANGE EARNINGS IN FUTURE YEARS THROUGH DEVELOPMENT OF TOURISM, AGRICULTURE AND EXPORT-ORIENTED INDUSTRY. HOWEVER, IT IS IMPORTANT TO PREVENT THE NEAR TERM BALANCE-OF-PAYMENTS PROBLEM FROM BECOMING A SERIOUS CONSTRAINT ON THE COUNTRY'S CON-

TINUED DEVELOPMENT, WHICH IS SO CRUCIAL TO ITS POLITICAL STABILITY.  
THE DR COULD MEET A SUBSTANTIAL PORTION OF ITS BOP DEFICIT BY  
RECOURSE TO IMF AVAILABILITIES, INTER ALIA, AND WE SHOULD ENCOURAGE  
THIS COURSE BECAUSE OF THE DISCIPLINE IT WOULD IMPOSE IN MANAGING  
THE ECONOMY. HOWEVER, SINCE THE GODR IS RELUCTANT TO ACCEPT IMF  
ASSISTANCE WITH CAVEATS ATTACHED, WE WILL LIKELY HAVE TO SETTLE,  
IN COOPERATION WITH OTHER LEADING INSTITUTIONS, FOR URGING PRUDENT  
FISCAL AND MONETARY POLICIES. WE CAN ALSO HELP TO ALLEVIATE THE  
BOP PROBLEM BY PROVIDING PL 480 TITLE I ASSISTANCE. THE LIMITED  
HELP WE ARE PROPOSING, WHILE ASSISTING THE GODR IN CONFRONTING THE  
BOP SITUATION, WOULD REINFORCE OUR CLOSE ASSOCIATION WITH THE  
COUNTRY'S DEVELOPMENT. AT THE SAME TIME, IT WOULD, THROUGH  
COUNTERPART USES, REINFORCE DOMINICAN SELF-HELP EFFORTS TO INCREASE  
FOOD PRODUCTION AND BETTER MEET THE INCOME AND FOOD NEEDS OF THE  
POORER SECTORS OF THE POPULATION. END QTE

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PAGE 01 SANTO 01208 02 OF 02 130105Z

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ACTION ARA-10

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-07 FRB-03

INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03 SP-02

CIEP-01 LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-04

CEA-01 IGA-02 L-03 H-02 DODE-00 PA-01 PRS-01 PM-04

AGR-05 /096 W

----- 121105

R 121700Z MAR 76

FM AMEMBASSY SANTO DOMINGO

TO SECSTATE WASHDC 6361

C O N F I D E N T I A L SECTION 2 OF 2 SANTO DOMINGO 1208

ATTN: NSC-IG/ARA

D. AFTER PRESENT THIRD PARAGRAPH, INSERT FOLLOWING NEW PARAGRA

H:

QTE IT IS ENCOURAGING THAT DEVIATIONS FROM THE GOVERNMENT'S GENERAL  
RESPECT FOR HUMAN RIGHTS HAVE BECOME MORE INFREQUENT; ALSO THAT  
THE LEADERS OF LEGAL OPPOSITION PARTIES HAVE RECENTLY TAKEN A

GENERALLY MORE MODERATE STANCE IN SETTING FORTH THEIR POSITIONS AND PLANS FOR THE FUTURE. EXTREMIST GROUPS STILL POSE THREATS OF VIOLENCE FROM TIME TO TIME, LIKELY TO BE MET BY STRONG GOVERNMENT REACTION. HOWEVER, THE GENERAL CLIMATE OF THE POLITICAL DIALOGUE HAS BECOME MORE TEMPERATE. DOMINICAN MEDIA GIVE CONSIDERABLE ATTENTION TO DEVELOPMENTS RELATING TO HUMAN RIGHTS AND, ON OPPORTUNE OCCASIONS, EMBASSY OFFICERS WILL CONTINUE TO EMPHASIZE THE INCREASING SENSITIVITY OF THE U.S. CONGRESS AND PUBLIC TO VIOLATIONS OF SUCH RIGHTS. END QTE

E. AFTER FOREGOING PARAGRAPH, INSERT FOLLOWING NEW PARAGRAPH:  
QTE BUILDING ON DOMINICAN SYMPATHY WITH U.S. INTERNATIONAL OBJECTIVES, WE WILL CONTINUE TO WORK CLOSELY WITH DOMINICAN OFFICIALS IN ORDER TO MAINTAIN THEIR COOPERATION WITH US ON SPECIFIC ISSUES IN INTERNATIONAL FORUMS. WE CANNOT EXPECT THEM TO ISOLATE THEM-  
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PAGE 02 SANTO 01208 02 OF 02 130105Z

SELVES FROM OVERWHELMING LATIN AMERICAN SENTIMENT, PARTICULARLY ON ISSUES WHERE THE U.S. POSITION SEEMS TO BE OPPOSED TO THE ASPIRATIONS OF DEVELOPING NATIONS. NOR ARE DOMINICANS DISPOSED TO PLAY A CONSPICUOUS ROLE IN THE INTERNATIONAL ARENA. BUT THEY STRONGLY BELIEVE THAT IT BEHOOVES LATIN AMERICA TO AVOID CONFRONTATION WITH THE U.S. AND WE CAN ENCOURAGE THEIR VOICE OF MODERATION ON SELECTED ISSUES OF INTEREST TO THEM AND IMPORTANCE TO THE U.S. END QTE

F. ADD TO PRESENT FOURTH PARAGRAPH QTE DESPITE INCREASED GODR CONCERN WITH CONTROLLING, AND EXTRACTING MORE BENEFITS FROM, MINING OPERATIONS OF FOREIGN ENTERPRISES, THE CLIMATE FOR FOREIGN INVESTMENT HERE REMAINS VERY FAVORABLE. PRESIDENT BALAGUER FULLY APPRECIATES THE CONTRIBUTIONS OF FOREIGN INVESTMENT TO THE COUNTRY'S DEVELOPMENT. LEADERS OF LEGITIMATE OPPOSITION PARTIES, WHILE CRITICAL OF WHAT THEY CONSIDER TO BE UNDUE GODR CONCESSIONS TO FOREIGN COMPANIES, HAVE INDICATED THAT THEY FAVOR RESTRICTIONS ON THE LANDHOLDINGS AND EXTENSIVE OPERATIONS OF GULF AND WESTERN AND GREATER RETURNS TO THE GOVERNMENT FROM MINING OPERATIONS OF FOREIGN COMPANIES, BUT NOT WIDESPREAD NATIONALIZATION. I BELIEVE, THEREFORE, THAT THE DR WILL CONTINUE TO OFFER EXCELLENT OPPORTUNITIES FOR AMERICAN INVESTORS FOR THE FORESEEABLE FUTURE, THOUGH INVESTORS MAY EXPECT GREATER GOVERNMENT CONTROL AND A LESSER PROPORTION OF RETURNS FROM THEIR OPERATIONS HERE THAN IN THE PAST.

2. ON PAGE 16, IN SECTION III, PART C. ON U.S. ECONOMIC PROSPERITY, SUBSTITUTE FOLLOWING FOR EXISTING LANGUAGE AFTER (2). QTE THE \$400 MILLION OF U.S. INVESTMENTS ALREADY CONSTITUTES ABOUT 75 PERCENT OF FOREIGN INVESTMENT IN THE DR. U.S. INVESTMENT SHOULD FURTHER IN CONSEQUENCE OF THE EXPANSION OF THE DOMINICAN ECONOMY, THE PROGRAM OF INDUSTRIAL FREE ZONES AND OTHER INVESTMENT INCENTIVES. LATELY, AS THE BALANCE-OF-PAYMENTS SITUATION HAS TIGHTENED AND FOREIGN INVESTMENT DEVELOPMENTS IN OTHER LA COUNTRIES HAVE BEEN

GIVEN PROMINENCE, THE GODR HAS MANIFESTED INCREASING CONCERN WITH CONTROLLING AND DERIVING GREATER BENEFITS FROM OPERATIONS OF FOREIGN ENTERPRISES IN THIS COUNTRY, PARTICULARLY IN MINING. WHILE THE GODR MAY SEEK GREATER RETURNS FROM FOREIGN INVESTMENT HERE, THE CLIMATE FOR SUCH INVESTMENT IS EXPECTED TO REMAIN AMONG THE MOST FAVORABLE IN LATIN AMERICA. (3)... END QTE

3. ON PAGE 18, ADD TO SECTION III, PART E. ON WORLD ORDER QTE IN CONFIDENTIAL

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PAGE 03 SANTO 01208 02 OF 02 130105Z

DISCUSSIONS WITH DOMINICAN OFFICIALS, WE WILL EMPHASIZE ISSUES OF KEY CONCERN TO THE U.S. AND OUR COMMON INTEREST IN VOTING TOGETHER ON IMPORTANT ISSUES, AND ENCOURAGE THE GODR TO EXERT A MODERATING INFLUENCE IN DEBATES OF MAJOR IMPORT. END QTE  
HURWITCH

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## Message Attributes

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